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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No. CV 04-9253-RGK (PLAx) Date August 22, 2005

Title *MARVEL ENTERPRISES, INC. v. NCSOFT CORPORATION, et al.*

ENTERED
CLERK, U.S. DISTRICT COURT
AUG 2 3 2005
CENTRAL DISTRICT OF CALIFORNIA
BY DEPUTY

Present: The Honorable R. GARY KLAUSNER, U.S. DISTRICT JUDGE

Sharon L. Williams	Not Reported	N/A
Deputy Clerk	Court Reporter / Recorder	Tape No.

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
Not Present	Not Present

Proceedings: **(IN CHAMBERS) PLAINTIFFS' SPECIAL MOTION TO STRIKE COUNTERCLAIMS FIVE, SIX, SEVEN AND EIGHT OF DEFENDANTS' FIRST AMENDED COUNTERCLAIMS (DE 100); and PLAINTIFFS' MOTION TO DISMISS DEFENDANTS' FIRST AMENDED COUNTERCLAIMS PURSUANT TO FRCP 12(B)(6) (DE 97)**

THIS CONSTITUTES NOTICE OF ENTRY AS REQUIRED BY FRCP, RULE 77(d).

I. INTRODUCTION

This case arises from the alleged infringement of an online video game against trademarks and copyrights held in comic book characters. Plaintiffs Marvel Enterprises, Inc. and Marvel Characters, Inc. (collectively, "Plaintiffs") produce comic books and own the copyrights and trademarks to comic book characters such as "The X-Men" and "The Hulk." Defendants and Counterclaimants, NCSoft Corporation, NC Interactive, Inc., and Cryptic Studios, Inc. (collectively, "Defendants"), own and distribute an online video game called "City of Heroes."

Defendants' First Amended Complaint alleges the following facts:

The "City of Heroes"software enables users to role-play and interact as superheroes in Paragon City, a virtual, online game environment hosted on Defendants' servers. Upon launching the game software, users must click through a User Agreement screen that specifies that they will not take any action in the game to infringe on third party rights. After accepting the Agreement, users select one of eleven servers, each containing a separate version of Paragon City. They then create a superhero character to play by selecting options and traits from game's menus for appearance, origins, archetypes, and powers. Based on the number of options, approximately 10^{17} unique character configurations are possible. Next, users choose the superhero's name, subject to the restrictions imposed by a Block List of prohibited terms and third party names. Once the user finishes, he or she may enter and explore Paragon City. Defendants do not prescreen the characters; they are created and played at the direction of the users. Users may play and save the character only on the particular server he or she initially chose.

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Defendants have registered the trademarks "City of Heroes" and "City of Villains." Since the game's release, it has garnered substantial public attention, including awards from *Billboard Magazine* and the Electronics Entertainment Expo, as well as articles in *Forbes* and *Game World*. In April of 2004, Defendants introduced a "City of Heroes" comic book about superheroes' adventures in Paragon City. Defendants distribute this publication to its game users directly and distribute it to the general public through a partnership with Diamond Comic Book Distributors, the largest distributor in the business. Comic book stores nationwide now carry the book, and it has one of the largest circulation figures for a single-issue title. Defendants have also promoted the new comic through various press releases, trade publications, and trade shows for comic book fans. In Summer 2004, Defendants advertised the "City of Heroes" game in comic books by several major publishers, including Marvel.

On September 13, 2004, Plaintiffs first contacted Defendants to complain that the "City of Heroes" game contained characters who infringed on Plaintiffs' intellectual property rights.

On October 11, 2004, Plaintiffs sent Defendants a letter entitled "DMCA Notification." The DMCA, or Digital Millennium Copyright Act, is a federal statute that requires Internet Service Providers to remove infringing material from their websites upon notice by the copyright holder. Defendants objected that this letter failed to comply with the DMCA because it lacked statements of accuracy or good faith belief. Defendants further objected that the names of characters specified in the letter had already been added to the software's Block List. Nevertheless, Defendants agreed to review the characters and modify the Block List if needed.

On November 2, 2004, Plaintiffs sent a second DMCA notification identifying several characters, including "Hulk10" and "Wolverine20," as infringing creations in "City of Heroes." However, "Hulk10" and "Wolverine20" were actually created by Plaintiffs' own attorneys using the game. Unaware of this fact, and in order to comply with the DMCA's requirements, Defendants deleted any characters bearing these names from user accounts. Because Plaintiffs did not identify which servers stored the allegedly infringing characters and did not provide pictures of those particular characters, Defendants had to delete more than 20 different characters on different servers to make sure that the allegedly infringing characters were eliminated. Defendants allege that, because "Hulk10" and "Wolverine20" were created by Plaintiffs' agents, and because Plaintiffs' agents chose the server to use, Plaintiffs should have known which server hosted them. Defendants also contend that, as a result of Plaintiffs' vague allegations, many innocent users lost non-infringing characters that they had spent considerable time and energy developing and improving.

On November 10, 2004, Plaintiffs filed their initial Complaint. Plaintiffs contend that "City of Heroes" infringes their intellectual property rights by permitting users to design and play superhero characters who are virtually identical to Plaintiffs' characters.

On January 27, 2005, Plaintiffs sent Defendants a third DMCA notification identifying more infringing characters. Defendants again objected that this notification was defective, misleading, and vague.

On February 2, 2005, Plaintiffs sent Defendants a letter admitting that three of the characters that it had identified in its January letter were in fact creations by Plaintiffs' own agents.

In April of 2005, Plaintiffs published an issue of its "New Thunderbolts" comic containing the following teaser tag line to promote its next issue: "The battle to save Manhattan! Secrets revealed! Surprise betrayals! A miraculous return! And finally. . . 'A CITY OF HEROES.'" The subsequent issue of "New Thunderbolts" again used Defendants' trademark. The title page read:

"Stan Lee Proudly Presents . . . New Thunderbolts . . . In City of Heroes?" The issue's credits also referred to the "City of Heroes" mark in connection with each contributor. For example, Dan Buckley was labeled as "City of Kegs."

On June 13, 2005, Defendants filed their First Amended Complaint ("FAC"), alleging counterclaims of 1) False DMCA Notification Under 17 U.S.C. § 512(f); 2) Trademark Infringement Under The Lanham Act; 3) False Designation of Origin Under The Lanham Act; 4) Trademark Dilution; 5) Dilution In Violation Of Cal. Bus. & Prof. Code §14330; 6) Unfair Competition In Violation Of Cal. Bus. & Prof. Code §17200; 7) Interference With Contractual Relations; and 8) Interference With Prospective Economic Advantage.

On July 7, 2005, Plaintiffs filed a Motion To Dismiss Defendants' Counterclaims 1 - 5. On that same day, Plaintiffs also filed, pursuant to California Code of Civil Procedure §425.16, a Special Motion To Strike Defendants' Counterclaims 5 - 8. For the reasons discussed below, this Court denies both motions in their entirety.

II. JUDICIAL STANDARD

A. Motion to Dismiss for Failure to State a Claim

In considering a motion to dismiss for failure to state a claim pursuant to Federal Rules of Civil Procedure 12(b)(6), the Court must assume the plaintiff's allegations are true, and must construe the complaint in a light most favorable to the plaintiff. *See United States v. City of Redwood City*, 640 F.2d 963, 967 (9th Cir. 1981). The sole issue raised by such a motion is whether the facts pleaded would, if established, support a valid claim for relief. Thus, the facts alleged, no matter how improbable, must be accepted as true for purposes of the motion. *See Neitzke v. Williams*, 490 U.S. 319, 328-29 (1989). However, a court need not accept as true unreasonable inferences, unwarranted deductions of fact, or conclusory legal allegations cast in the form of factual allegations. *See W. Mining Council v. Watt*, 643 F.2d 618, 624 (9th Cir. 1981). Upon review of a complaint, a court may not dismiss pursuant to Rule 12(b)(6) "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957); *Russell v. Landrieu*, 621 F.2d 1037, 1039 (9th Cir. 1980). However, dismissal is proper if a complaint is vague, conclusory, and fails to set forth any material facts in support of the allegation. *See N. Star Int'l v. Ariz. Corps. Comm'n*, 720 F.2d 578, 583 (9th Cir. 1983).

B. Special Motion to Strike

California Code of Civil Procedure § 425.16 ("The Anti-SLAPP statute") authorizes a Special Motion To Strike against SLAAP lawsuits (Strategic Litigation Against Public Participation). Cal. Code. Civ. Proc. § 425.16. A SLAAP suit is a meritless suit filed primarily to deter a defendant's exercise of his or her First Amendment rights of freedom of speech and petition for redress of grievances. § 425.16; *United States ex rel. Newsham v. Lockheed Missiles & Space Co., Inc.*, 190 F.3d 963, 970-73 (9th Cir. 1999). In a special motion to strike under § 425.16, the defendant has the initial burden of establishing a prima facie case that plaintiff's claims arose from acts by defendant in furtherance of defendant's right of petition or free speech. *Id.* Section 425.16(e) defines an "act in furtherance of a person's right of petition or free speech" as including:

(1) any written or oral statement or writing made before a legislative, executive, or judicial proceeding, or any other official proceeding authorized by law;

(2) any written or oral statement or writing made in connection with an issue under consideration or review by a legislative, executive, or judicial body, or any other official proceeding authorized by law;

(3) any written or oral statement or writing made in a place open to the public or a public forum in connection with an issue of public interest;

(4) or any other conduct in furtherance of the exercise of the constitutional right of petition or the constitutional right of free speech in connection with a public issue or an issue of public interest.

§ 425.16(e)(1)-(4).

Once the defendant establishes this prima facie case, the burden shifts to the plaintiff to establish a probability that he or she will prevail on the merits. *Lockheed,* 190 F.3d at 971. When deciding the motion to strike, the court considers the pleadings, and supporting and opposing affidavits stating the facts upon which the liability or defense is based. *Id.*

III. DISCUSSION

For the reasons stated below, this Court denies Plaintiffs' Motion To Dismiss and Special Motion To Strike.

A. Plaintiffs' Motion To Dismiss

1. Defendants Have Stated A Claim For False DMCA Notification

Defendants have alleged facts sufficient to state a valid claim for false notification under the DMCA.

The DMCA, or Digital Millennium Copyright Act, provides an Internet Service Provider ("ISP") a safe harbor from liability for copyright infringement by their users if the ISP acts expeditiously to take down potentially infringing material after receiving proper notice of such material from the copyright holder. 17 U.S.C. § 512(c)(3); *Rossi v. Motion Picture Ass'n of Am., Inc.*, 391 F.3d 1000, 1003-04 (9th Cir., 2004). For purposes of the § 512(c) safe harbor, an ISP is defined as "a provider of online services or network access, or the operator of facilities therefor." See 17 U.S.C. § 512(k)(1)(B); *Corbis Corp. v. Amazon, Inc.*, 351 F. Supp. 2d 1090, 1100 (noting that the definition of an ISP under § 512(k)(1)(B) "encompasses a broad variety of Internet activities.").

A copyright holder may be held liable for making material misrepresentations in a DMCA notification. Section 512(f) of the DMCA states, in relevant part:

> Any person who knowingly materially misrepresents under this section . . . that material or activity is infringing . . . shall be liable for any damages, including costs and attorneys' fees, incurred . . . by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it.

17 U.S.C. § 512(f).

A misrepresentation under § 512(f) is material if affects the ISP's response. *Online Policy Grp. v. Diebold*, 337 F.Supp. 2d 1195, 1204 (N.D. Cal. 2004).

Here, Defendants have plead sufficient facts to state a valid claim under § 512(f). Defendants allege that Plaintiffs misrepresented facts by complaining of infringing characters that Plaintiffs themselves actually created or infringing characters that did not exist because they had been previously removed from the game's servers. (FAC ¶¶ 46-47, 52-53, 71-72.) Further, Defendants contend that Plaintiffs made these misrepresentations knowingly in order to cause Defendants to cancel innocent users' characters and thereby suffer loss of consumer goodwill. (FAC ¶¶ 80.) In addition, Defendants allege that these misrepresentations were material because they affected Defendants' response, causing them to review their Block List and delete innocent users' characters. (FAC ¶¶ 81-82.) Finally, Defendants claim that the misrepresentations caused damages in the form of lost goodwill, lost subscriptions, and expenses incurred in investigating the false claims. (FAC ¶¶ 82-83, 95, 97-99.)

Plaintiffs argue that Defendants cannot state a claim under the DMCA because Defendants do not qualify as ISPs under the DMCA and hence lack standing to sue under § 512(f). Plaintiffs contend that, to be an ISP under the DMCA, an online service must be "passive" and "innocent." This argument lacks support in either the plain text of § 512(k)(1)(B) or in the relevant case law. *See In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634 , 657-58 (N.D. Ill. 2003) (noting that "'service provider'is defined so broadly that we have trouble imagining the existence of an online service that would not fall under the definitions . . . ."). While passivity and innocence may affect whether an ISP ultimately achieves safe harbor under the DMCA, these traits do not bear on the question of whether an ISP, as a threshold matter, is governed by § 512 or has standing to sue under § 512(f). *See Id.*

Plaintiffs also contend that the § 512(f) should be dismissed because the DMCA notifications at issue were good faith demand letters protected under the California litigation privilege. *See* Cal. Code Civ. Proc. § 47. This argument also lacks support, as the California litigation privilege is preempted by the DMCA's express provision of a cause of action for false notification. *See English v. Gen. Elec. Co.*, 496 U.S. 72, 78-79 (1990) (citation omitted) (stating that federal interests prevail "where state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress . . .' "); *Pardi v. Kaiser Permanente Hosp., Inc.*, 389 F.3d 840, 851 (9th Cir. 2004) ("[A] state absolute litigation privilege purporting to confer immunity from suit cannot defeat a federal cause of action.").

In summary, Defendants' claim for false DMCA notification withstands Plaintiffs' Motion To Dismiss because the facts as plead give rise to a valid claim for relief.

2. *Defendants Have Stated Valid Claims For Relief For Trademark Violations*

a. Trademark Infringement

The basic test for trademark infringement under both federal and state law is whether the use of the mark is likely to cause confusion as to the source of the goods or services. *Films of Distinction v. Allegro Film Prods.*, 12 F. Supp. 2d 1068, 1075 (C.D. Cal. 1998). Here, Defendants have alleged ownership and registration of the "City of Heroes" mark. (FAC ¶¶ 35.) They have also alleged that the mark is widely recognized in the comic book industry and that Plaintiffs' use of "City of Heroes" in connection with their own comic books creates a likelihood of confusion with Defendants' products. (FAC ¶¶ 25-35, 86-90.) As such, Defendants have stated a claim for trademark infringement.

Plaintiffs argue that this claim is barred because "City of Heroes" is generic and hence there can be no likelihood of confusion. This argument raises questions of fact that should not be disposed of by a Motion To Dismiss. *Allegro*, 12 F. Supp. 2d at 1075.

Plaintiffs insist that this Court is bound by *Murray v. Cable Nat'l Broad. Co.* to decide the issue of likelihood of confusion as a matter of law. 86 F.3d 858, 860-61 (9th Cir. 1996). However, *Murray* authorizes this Court to dismiss only where the pleadings show that confusion is unlikely as a matter of law because the parties' goods or services are totally unrelated. *Id.* Here, the pleadings assert that Plaintiffs used the "City of Heroes" mark in a title page and in a promotional tag line for "New Thunderbolts" after Defendants had already established and distributed their own comic book called "City of Heroes." Because Plaintiffs used the mark in a similar product that appeals to a similar pool of potential consumers, this Court cannot conclude as a matter of law that consumers are not likely to be confused. Even if "New Thunderbolts" is labeled as a Marvel comic, consumers may be confused into thinking that the issue involves a crossover story involving Paragon City.

Plaintiffs also argue that dismissal is proper because their usage of the mark is protected as parody. However, as the Ninth Circuit noted in *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, "the claim of parody is not really a separate 'defense' as such, but merely a way of phrasing the traditional response that customers are not likely to be confused as to the source, sponsorship or approval. . . ." 109 F.3d 1394, 1405-06 (9th Cir. 1997). As stated earlier, because likelihood of confusion is a factual question, it should not be decided in this case at a Motion To Dismiss.

Plaintiffs finally argue that dismissal should be granted because the alleged uses of Defendants' mark in the title page and tag line are expressive and protected by the First Amendment. In *Mattel, Inc. v. MCA Records, Inc.*, the Ninth Circuit adopted the rule that the First Amendment shields literary titles from trademark infringement claims "'unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.'" 296 F.3d 894, 902 (9th Cir. 2002) (citation omitted). Here, Plaintiffs' use of "City of Heroes" bears some artistic relevance to the superhero stories in "New Thunderbolts." But as with Plaintiffs' other contentions, the issue of whether using "City of Heroes" in "New Thunderbolts" explicitly misleads as to source or content is a question of fact inappropriate for resolution on Motion To Dismiss.

b. False Designation of Origin

The test for False Designation of Origin, pursuant to 15 U.S.C. § 1125(a), is the same as the analysis used in normal trademark infringement claims under 15 U.S.C. § 1114(1). Thus, allegations sufficient to plead Trademark Infringement also suffice to state a claim for False Designation of Origin. *Sebastian Int'l, Inc. v. Russolillo*, 186 F. Supp. 2d 1055, 1069 (C.D. Cal. 2000). Here, because Defendants have stated a claim for Trademark Infringement, they have also sufficiently plead False Designation of Origin.

c. Trademark Dilution

In order to prove a violation of the Federal Trademark Dilution Act, a party must show that 1) the mark is famous; 2) the opposing party is making a commercial use of the mark; 3) the opposing party's use began after the mark became famous; and 4) the opposing party's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services. *See* 15 U.S.C. § 1125(c); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998). Dilution is "the lessening of the capacity of a famous mark to identify and distinguish goods or services . . . ." 15 U.S.C. § 1127.

Here, Defendants have plead facts to support that "City of Heroes" is a famous mark, that it is used commercially in games and comic books, that Plaintiffs began using the mark after it became famous, and that such usage dilutes the mark by diminishing its capacity to distinguish "City of Heroes" comics from Marvel comics. (FAC ¶¶ 25-35, 86-90.) As such, Defendants have stated a valid claim for relief.

In summary, Defendants' trademark claims also survive Plaintiffs' Motion To Dismiss. Plaintiffs' Motion To Dismiss is thus denied in its entirety.

B. **Plaintiffs' Special Motion To Strike**

Plaintiffs argue that Defendants' counterclaims 5 - 8 should be dismissed because they comprise a SLAAP suit brought by Defendants to chill Plaintiffs' First Amendment rights to free speech and to petition. The Court disagrees.

In order to qualify under the Anti-SLAPP statute, Plaintiffs must show that Defendants' counterclaims arise from acts in furtherance of Plaintiffs' rights to free speech or petition. Cal. Code. Civ. Proc. § 425.16; *United States ex rel. Newsham v. Lockheed Missiles & Space Co.*, 190 F.3d 963, 970-73 (9th Cir. 1999). An act in furtherance of the right to free speech includes any writing made before a legislative, executive, judicial, or official proceeding; any writing made in connection with an issue under review in such a proceeding; any writing made in public on an issue of public concern; or any conduct in furtherance of free speech on an issue of public concern. *See infra* pp. 3-4.

Defendants' counterclaims in this case arise from Plaintiffs' alleged misrepresentations in their three DMCA letters and from Plaintiffs' alleged infringement of Defendants' mark. Because the Court finds that these actions are not in furtherance of Plaintiffs' right to free speech, the Court concludes that the Anti-SLAPP statute does not apply to Defendants' counterclaims.

1. Section 425.16 Does Not Protect Plaintiffs' Use Of Defendants' Mark

Plaintiffs' alleged infringement of Defendants' mark does not qualify under any of the definitions for protected conduct specified in § 425.16(e). Plaintiffs' usage of "City of Heroes" as a tag line and a title for issues of "New Thunderbolts" does not bear any relation to official proceedings. Nor does such usage relate to an issue of public interest. Moreover, as the Ninth Circuit has recently held, a claim for trademark infringement does not necessarily impair a defendant's free speech rights and does not trigger the Anti-SLAPP statute. *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 682 (9th Cir. 2005). As such, Plaintiffs' use of the "City of Heroes" mark is not a protected activity for purposes of the Anti-SLAPP statute.

2. Section 425.16 Does Not Protect Misrepresentations In Plaintiffs' October And November DMCA Letters

Plaintiffs' October and November DMCA letters also fail to qualify as acts in furtherance of Plaintiffs' rights to petition or free speech. These letters were not produced in connection with any issue then under consideration or review by a legislative, executive, judicial, or other official proceeding because the letters were produced before Plaintiffs filed their suit. Furthermore, they were not made before a legislative, executive, judicial, or other official proceeding. Nor were they made to the public on an issue of public concern. As such, these letters do not satisfy any of the definitions under § 425.16(e) for acts in furtherance of the right to petition and to free speech. Thus, Plaintiffs cannot use them to invoke the Anti-SLAPP statute's special motion to strike. *See People v. Building Permit Consultants, Inc.*, 86 Cal. App. 4th 280, 284 (Cal. Ct. App. 2000) (holding that the Anti-SLAPP statute did not cover an insurance company consultant's damage reports because, even though the reports were generated in anticipation for eventual litigation and were sent to the insurance company as demands to pay, the reports were not created at a time when there was any issue under consideration before any official proceeding).

Plaintiffs cite *Blanchard v. DirecTV, Inc.*, 123 Cal. App. 4th 903, 918 (Cal.Ct. App. 2004), to show that all demand letters sent in advance of litigation fall under the Anti-SLAPP statute. However, in *DirectTV*, the question of whether prelitigation demand letters qualified under § 425.16(e) was not at issue, since the plaintiffs in that case conceded that the demand letters qualified as acts in furtherance of the right to petition and to free speech. *Id.* at 918. As such, *DirecTV*'s opinion on this issue constitutes non-binding dicta.

Plaintiffs also cite *Briggs v. Eden Council for Hope & Opportunity* for the proposition that "'[j]ust as communications preparatory to or in anticipation of the bringing of an action or other official proceeding are within the protection of the litigation privilege of *Civil code section 47*. . . such statements are equally entitled to the benefits of section 425.16.'" 19 Cal. 4th 1106, 1115 (1999) (citing *Dove Audio, Inc. v. Rosenfeld, Meyer & Susman*, 47 Cal. App. 4th 777, 784 (Cal. Ct. App. 1996)). The *Briggs* court followed *Dove Audio* to conclude that anticipatory statements were protected under § 425.16 to the same extent that they were protected under the California litigation privilege. *Id.*

The California Court of Appeal explained the scope of the litigation privilege's protection in *Eisenberg v. Alameda Newspapers, Inc.*, which held that § 47 applies to prelitigation demands "'only when the communication has some relation to a proceeding that is contemplated in good faith and under serious consideration . . . . [I]t is not the mere *threat* of litigation that brings the privilege into play, but rather the actual good faith contemplation of an imminent, impending resort to the judicial system . . . .'" 74 Cal. App. 4th 1359, 1378-80 (Cal. Ct. App. 1999). In *Eisenberg*, the court concluded that, because a demand letter did not, on its face, contemplate imminent resort to the courts, it did not fall under the litigation privilege. *Id* at 1380.

Here, Plaintiffs' letters, on their face, do not contemplate an imminent and impending resort to litigation. Plaintiffs' initial letter, dated September 13, 2004, threatens eventual litigation but also states that Plaintiffs would like to ascertain whether the parties can settle the matter amicably. (Declaration of Peter J. Willsey, Exh. A). Plaintiffs' first DMCA notification, dated October 11, 2004, gives Defendants notice of the allegedly infringing characters in City of Heroes, but it does not make any mention of imminent litigation. (Willsey Decl., Exh. E). Further, Plaintiffs' second DMCA notification, dated November 2, 2004, asserts that, "in the interest of cooperation," it is providing further details on the alleged infringements. (Willsey Decl., Exh. H). Nowhere does this second notification threaten imminent litigation. Therefore, because these letters do not contemplate imminent litigation, they would not qualify for protection under the California litigation privilege. Because these letters would not fall under the litigation privilege, they do not, under the *Briggs* and *Dove Audio* analysis, qualify for protection under § 425.16.

3. *Plaintiffs' January DMCA Letter Does Not Suffice To Trigger The Anti-SLAPP Statute*

Plaintiffs' third DMCA letter, dated January 27, 2005, does fall under § 425.16(e) because it was produced in connection with Plaintiffs' suit, which was filed on November 10, 2004. Where claims arise from both protected activity, such as the January letter, and unprotected activity, such as the October and November letters, the Court determines whether the Anti-SLAPP statute applies by looking to "the principal thrust or gravamen" of the claims. *Mann v. Quality Old Time Serv., Inc.*, 120 Cal. App. 4th 90, 103 (Cal. Ct. App. 2004). If the protected conduct is incidental to the claim, then the Anti-SLAAP statute does not apply. *Id.* Here, the January letter does not alone suffice to subject Defendants' counterclaims to Anti-SLAAP statute because those claims are principally based on unprotected activities: the alleged trademark infringement and the misrepresentations about infringing characters that were first mentioned in the October letter.

Even if the January letter did not exist, the trademark infringement and the other letters would have been enough to ground Defendants' claims. As such, the January letter, weighed against the other acts in question, is not sufficient to pull this claim under the Anti-SLAAP statute.

In summary, because Plaintiffs' acts do not qualify for protection under California's Anti-SLAPP statute, Plaintiffs' Special Motion To Strike is denied in its entirety.

IV. CONCLUSION

For the reasons stated above, Plaintiffs' Motion To Dismiss and Special Motion To Strike are **denied**.

IT IS SO ORDERED.

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